

THIS INDEPENDENT ADVICE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY. If you have sold all your shares in PARAMOUNT CORPORATION BERHAD, you should at once hand this Independent Advice Circular to the agent through whom the sale was effected for transmission to the purchaser.

This Independent Advice Circular should be read in conjunction with the Circular to Shareholders by PARAMOUNT CORPORATION BERHAD dated 16 May 1996



PARAMOUNT CORPORATION BERHAD

(Company No. 8578-A)
(Incorporated In Malaysia)

INDEPENDENT ADVICE CIRCULAR TO MINORITY SHAREHOLDERS

in relation to the

- i) Proposed acquisition of 750,000 ordinary shares of RM1.00 each representing 74.99% equity interest in K.U Sistem Holdings Sdn Bhd (Company No. 263807-K) for a total cash consideration of RM9,900,000; and
- ii) Proposed acquisition of an additional 2,804,000 ordinary shares of RM1.00 each representing 34.36% equity interest in Paramount Assurance Berhad (Company No. 30046-A) for a total cash consideration of RM5,523,412.70.

**Independent Adviser to
Minority Shareholders**



ASEAN BANKERS MALAYSIA BERHAD

A Member Of The  Maybank Group

This Independent Advice Circular is dated 26 May 1997

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Independent

Advice Circular:

| | | |
|-------------------------|---|--------------------------------------------------------------------------------------------------|
| "AMMB" | : | Arab-Malaysian Merchant Bank Berhad (Company No. 23742-V) |
| "Aseambankers" | : | Aseambankers Malaysia Berhad (Company No.15938-H) |
| "Berkeley" | : | Berkeley Sdn Bhd (Company No. 5341-D), a wholly owned subsidiary company of PCB |
| "BNM" | : | Bank Negara Malaysia |
| "EGM" | : | Extraordinary General Meeting |
| "EGM Circular" | : | The Circular and notice of the EGM dated 16 May 1997 to the shareholders of PCB prepared by AMMB |
| "EPS" | : | Earnings per ordinary share |
| "FIC" | : | Foreign Investment Committee |
| "FSEC" | : | Four Seas Enterprise Corporation Sendirian Berhad (Company No. 6462-M) |
| "KLSE" | : | Kuala Lumpur Stock Exchange (Company No. 30632-P) |
| "KUSH" | : | K.U. Sistem Holdings Sdn Bhd (Company No. 263807-K) |
| "KUSH Group" | : | KUSH, its subsidiary companies and associated company |
| "NTA" | : | Net tangible assets |
| "Paramount Malaysia" | : | Paramount Malaysia (1963) Sdn Bhd (Company No. 5175-V) |
| "PAB" | : | Paramount Assurance Berhad (Company No.30046-A) |
| "PCB" or "the Company" | : | Paramount Corporation Berhad (Company No. 8578-A) |
| "PCB Group" or "Group" | : | PCB, its subsidiary companies and associated companies |
| "SC" | : | Securities Commission |
| "Sengin" | : | Sengin Sdn Bhd (Company No. 118540-X) |
| "See Hoy Chan" | : | See Hoy Chan Sdn Bhd (Company No. 2244-V) |
| "The Nanyang Insurance" | : | The Nanyang Insurance Co. Ltd (Company No. 60/1956Z) |
| "TSP" | : | Teo Soo Pin Sdn Berhad (Company No. 6608-H) |
| "PE Multiple" | : | Price earnings multiple |

"Proposed Acquisition of KUSH" : Proposed acquisition of 750,000 ordinary shares of RM1.00 each representing 74.99% equity interest in KUSH for a total cash consideration of RM9,900,000

"Proposed Acquisition of PAB" : Proposed acquisition of an additional 2,804,000 ordinary shares of RM1.00 each representing 34.36% equity interest in PAB for a total cash consideration of RM5,523,412.70

"Proposed Disposal of FSEC" : Proposed disposal of 490,000 ordinary shares of RM1.00 each representing Berkeley's entire equity interest of 47.39% shareholding in FSEC for a total cash consideration of RM1,065,207.92

"Proposals" : The Proposed Acquisition of KUSH and Proposed Acquisition of PAB collectively

"RM" and "sen" : Ringgit Malaysia and sen respectively

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ASEAMBANKERS MALAYSIA BERHAD

(Company No.15938-H)

(Incorporated in Malaysia)

Registered Office:

33rd Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

26 May 1997

To: The Minority Shareholders of

Paramount Corporation Berhad (Company No. 8578-A)

Dear Sir/Madam

PARAMOUNT CORPORATION BERHAD (Company No. 8578-A)

PROPOSED ACQUISITION OF 750,000 ORDINARY SHARES OF RM1.00 EACH REPRESENTING 74.99% EQUITY INTEREST IN KUSH FOR A TOTAL CASH CONSIDERATION OF RM9,900,000; AND

PROPOSED ACQUISITION OF AN ADDITIONAL 2,804,000 ORDINARY SHARES OF RM1.00 EACH REPRESENTING 34.36% EQUITY INTEREST IN PAB FOR A TOTAL CASH CONSIDERATION OF RM5,523,412.70.

1. INTRODUCTION

On 13 December 1996, AMMB, on behalf of the Board of Directors of PCB announced that the Company had entered into a Sale and Purchase Agreement with Sengin and TSP for the acquisition of 750,000 ordinary shares of RM1.00 each representing 74.99% equity interest in KUSH for a total cash consideration of RM9,900,000.

On 2 January 1997, AMMB, on behalf of the Board of Directors of PCB announced that the Company had entered into several Sale and Purchase Agreements for the following:-

- (i) Proposed acquisition of an additional 2,804,000 ordinary shares of RM1.00 each representing 34.36% equity interest in PAB for a total cash consideration of RM5,523,412.70; and
- (ii) Proposed disposal of 490,000 ordinary shares of RM1.00 each representing Berkeley's (a wholly-owned subsidiary company of PCB) entire equity interest of 47.39% shareholding in FSEC for a total cash consideration of RM1,065,207.92.

An application had been made to the FIC for approval on the Proposals and approval was obtained on 7 May 1997. In addition, BNM has no objections to the Proposed Acquisition of PAB by PCB vide its letter dated 16 December 1996.

The Proposed Disposal of FSEC does not require the approval of the FIC. On 16 April 1997, PCB had obtained a waiver from the KLSE to convene an EGM to seek shareholders' approval in respect of the Proposed Disposal of FSEC.

In approving the Proposals, the FIC has stipulated the following conditions:

- (a) the approval of the shareholders of PCB be obtained at an EGM wherein all interested parties of the Proposals must abstain from voting;
- (b) competent and independent advice be provided to the shareholders of PCB pertaining to the Proposals by an independent adviser approved by the FIC; and
- (c) a Circular to the shareholders of PCB disclosing detailed information on the transactions and interested parties thereto and that the Circular is to be approved by the FIC.

Pursuant to condition (b) above, Aseambankers was appointed as the Independent Adviser to the minority shareholders of PCB. The appointment of Aseambankers was approved by the FIC on 7 May 1997 and the Independent Advice Circular was approved by the FIC on 23 May 1997.

The purpose of this Independent Advise Circular is to provide you with an independent evaluation of the Proposals and to recommend the course of action which you should take in respect of the resolutions pertaining to the Proposals to be tabled at the EGM to be convened at Bilik Kuliah, 11th Floor, Menara Maybank, 100 Jalan Tun Perak, 50050 Kuala Lumpur which is scheduled to be held on 10 June 1997 at 10:30 a.m.

MINORITY SHAREHOLDERS ARE ADVISED TO READ BOTH THIS INDEPENDENT ADVICE CIRCULAR AND THE EGM CIRCULAR AND TO CONSIDER CAREFULLY THE RECOMMENDATIONS CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSALS AT THE EGM.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

2. PROPOSED ACQUISITION OF KUSH

2.1 Information on the Proposed Acquisition of KUSH

PCB, had on 13 December 1996, entered into a Sale and Purchase Agreement for the proposed acquisition of 750,000 ordinary shares of RM1.00 each representing 74.99% equity interest in KUSH for a total cash consideration of RM9,900,000 from the following vendors:-

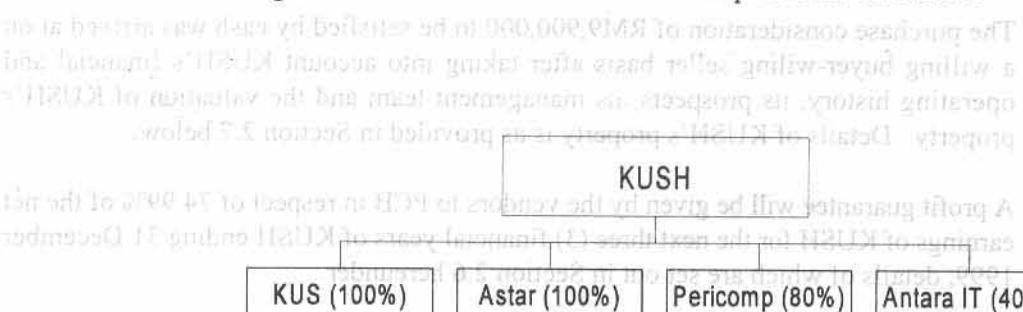
| Vendors | Number of KUSH shares to be sold to PCB |
|---------|-----------------------------------------|
| Sengin | 250,000 |
| TSP | 500,000 |
| Total | <u>750,000</u> |

2.2 Information on the KUSH Group

KUSH was incorporated as a private limited company on 11 May 1993 under the Companies Act, 1965. The authorised share capital of KUSH is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM1,000,002 comprising 1,000,002 ordinary shares of RM1.00 each.

KUSH is an investment holding company with three (3) subsidiary companies and an associated company. The three (3) subsidiary companies are K.U. Sistem Sdn Bhd (Company No.123121-M) ("KUS"), Pericomp-Sistech Sdn Bhd (Company Co. 153647-U) ("Pericomp") and Astar Marketing Sdn Bhd (Company Co. 263791-K) ("Astar"). Antara IT Sdn Bhd (Company No. 351038-H) ("Antara IT") is the associated company. It also provides administration, accounting and warehousing services to the KUSH Group. In respect of KUSH's warehousing services, all stock are kept in a central warehouse owned by it and the subsidiary companies are charged according to their respective space utilisation.

The organisation structure of the KUSH Group is as set out below:-



Further information on KUSH is set out in Appendix I

KUS was incorporated on 12 July 1984 and commenced operations on 1 April 1985 with its principal activities being the provision of microcomputer systems, hardware, software and services to corporate customers. KUS is an authorised dealer of Hewlett-Packard PCs and peripherals and currently has 258 corporate accounts throughout Malaysia.

Astar started operations on 1 January 1995 by taking over the dealer division of KUS. The main business activity of the company is that of distribution of Hewlett-Packard PC products and other leading brands of peripherals and software to dealers and currently has 280 dealers throughout Malaysia.

Pericomp was incorporated on 30 May 1986 with its business activity in the marketing of PCs and peripherals to dealers and corporate customers. It commenced operations on 1 July 1986 by taking over the Peripherals Division of KUS and currently has 480 dealers and at least 50 corporate customers throughout Malaysia.

Antara IT, currently a dormant company was incorporated on 14 July 1995. It was acquired by KUSH on 2 January 1997.

2.3 Principal Terms of the Proposed Acquisition of KUSH

The Proposed Acquisition of KUSH will be satisfied by way of a total cash consideration of RM9,900,000. A 10% deposit amounting to RM990,000 has been paid by PCB on 12 December 1996 and the balance of the purchase consideration amounting to RM8,910,000 will be paid on the completion date of the proposed acquisition. The purchase consideration will be fully funded through internally generated funds of PCB.

2.4 Status of Shares of KUSH

The ordinary shares of KUSH will be acquired by PCB free from all, liens, charges and encumbrances.

2.5 Basis For the Purchase Consideration

The purchase consideration of RM9,900,000 to be satisfied by cash was arrived at on a willing buyer-willing seller basis after taking into account KUSH's financial and operating history, its prospects, its management team and the valuation of KUSH's property. Details of KUSH's property is as provided in Section 2.7 below.

A profit guarantee will be given by the vendors to PCB in respect of 74.99% of the net earnings of KUSH for the next three (3) financial years of KUSH ending 31 December 1999, details of which are set out in Section 2.6 hereunder.

2.6 Details of the Profit Guarantee

The profit guarantee of RM5,361,035.10 to be given by the vendors will be in the form of an irrevocable and unconditional bankers' guarantee to PCB as stated in the Sale and Purchase Agreement :-

Financial Year ending 31 December

Profit after tax to be guaranteed by the vendors of KUSH

RM

| | |
|--------------|---------------------|
| 1997 | 1,322,823.60 |
| 1998 | 1,763,764.80 |
| 1999 | 2,274,466.70 |
| Total | 5,361,055.10 |

2.7 Details of KUSH's Property

KUSH is the owner of two five-storey freehold office blocks located at Glomac Business Centre in Kelana Jaya, Petaling Jaya, Selangor Darul Ehsan. The property measuring 1,281.48 square metres and currently being occupied by the KUSH Group, was valued by a firm of independent valuers, Messrs CH Williams Talhar and Wong on 22 October 1996. Based on the 'Comparison Method' of valuation, the valuers were of the opinion that the said property has an open market value of RM4,100,000. A copy of the valuers' letter is set out in Appendix III.

3. PROPOSED ACQUISITION OF PAB

3.1 Information on the Proposed Acquisition of PAB

PCB had on 2 January 1997, entered into a Sale and Purchase Agreement for the proposed acquisition of an additional 2,804,000 ordinary shares of RM1.00 each representing 34.36% equity interest in PAB for a total cash consideration of RM5,523,412.70 from the following vendors:-

| Vendors | Number of PAB shares to be sold to PCB | % shareholding in PAB |
|-----------------------|----------------------------------------|-----------------------|
| See Hoy Chan | 180,000 | 2.21 |
| The Nanyang Insurance | 2,240,000 | 27.45 |
| Paramount Malaysia | 320,000 | 3.92 |
| FSEC | 64,000 | 0.78 |
| Total | 2,804,000 | 34.36 |

3.2 Information on PAB

PAB commenced operation in 1958 when it was known as the Kuala Lumpur branch office of The Nanyang Insurance Company Limited, a general insurance business incorporated in Singapore ("The Malaysian Operation"). On 4 November 1976, The Malaysian Operation was localised and Nanyang Insurance Company (Malaysia) Sdn Bhd was incorporated on the same date. The company officially changed its name to Paramount Assurance Sendirian Berhad on 21 July 1993. On 7 May 1997, the company was converted into a public limited company and assumed the name of Paramount Assurance Berhad. PAB's principal activity is primarily of underwriting general insurance business.

Further information on PAB is as set out in Appendix II.

3.3 Principal Terms of the Proposed Acquisition of PAB

The Proposed Acquisition of PAB will be satisfied by way of a total cash consideration of RM5,523,412.70. A 10% deposit amounting to RM552,341.27 has been paid by PCB on 2 January 1997 and the balance of the purchase consideration amounting to RM4,971,071.43 will be paid on the completion date of the proposed acquisition. The purchase consideration will be fully funded through internally generated funds of PCB.

BNM has no objections to the Proposed Acquisition of PAB by PCB vide its letter dated 16 December 1996. PCB's equity interest in PAB before the Proposed Acquisition of PAB is 50.34%. After the Proposed Acquisition of PAB, PCB's equity interest will increase by 34.36% to 84.70%.

3.4 Status of Shares of PAB

The ordinary shares of PAB will be acquired by PCB free from all liens, charges and encumbrances.

3.5 Basis For the Purchase Consideration

The purchase consideration of RM5,523,412.70 to be satisfied by cash was arrived at on a willing buyer-wiling seller basis after taking into account the adjusted NTA as at 31 December 1995 of PAB of RM16,073,840. The adjustments relate to investments and taxation.

A copy of the letter from Messrs Price Waterhouse, pertaining to the adjusted NTA of PAB as at 31 December 1995 is enclosed in Appendix V.

4. RATIONALE FOR THE PROPOSALS

The Directors of PCB have stated that the rationale for the Proposals are as follows:

4.1 Proposed Acquisition of KUSH

"The Proposed Acquisition of KUSH will enable the PCB Group to take advantage of the growing prospects of the Information Technology ("IT") industry and to further expand its core activities into the provision of products such as hardware configuration and services such as support and training, system integrators and solutions provider. In addition, the Proposed Acquisition of KUSH will increase PCB Group's earnings in the future."

4.2 Proposed Acquisition of PAB

"PAB is a profitable going concern in a progressive and growing general insurance industry. The Proposed Acquisition of PAB will enhance the future profitability of the PCB Group. In addition, the deemed Bumiputera interest in PAB will be increased from 30.47% to 40.79% by virtue of the increase of PCB's equity in PAB."

5. CONDITIONS OF THE PROPOSALS

BNM had, vide its letter dated 16 December 1996 stated that it has no objection to the Proposed Acquisition of PAB. However, the Proposals are subject to approvals being obtained from the following:

- (i) FIC for the Proposals (obtained on 7 May 1997);
- (ii) shareholders of PCB at an EGM to be convened; and
- (iii) any other relevant authorities.

6. FINANCIAL EFFECTS OF THE PROPOSALS

6.1 Share Capital

There will be no change in the share capital of PCB as a result of the Proposals as the purchase consideration is to be satisfied by way of cash in full.

6.2 NTA and Earnings

The Proposals will not have a significant effect on the earnings and NTA of the PCB Group for the current financial year ending 31 December 1997. However, the Proposals are expected to contribute positively to the future earnings and NTA of the PCB Group.

7. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST

7.1 Proposed Acquisition of KUSH

Saved as disclosed below, no other Directors and/or substantial shareholders of PCB are deemed interested in the Proposed Acquisition of KUSH.

Mr Teo Chiang Quan and Mr Teo Chiang Khai, being Directors and substantial shareholders of PCB are deemed interested in the Proposed Acquisition of KUSH by virtue of them being Directors and their direct interests in TSP.

Mr Teo Chiang Lim, being a substantial shareholder of PCB is deemed interested in the Proposed Acquisition of KUSH by virtue of him being a Director and his direct interest in TSP.

The direct and indirect shareholdings of Mr Teo Chiang Quan, Mr Teo Chiang Khai and Mr Teo Chiang Lim in PCB are as follows:-

| Shareholding | | | | |
|---------------------|---------------------------------|----------|-----------------------------------|----------|
| Shareholders | <-----Direct-----> | | <-----Indirect-----> | |
| | No. Of Shares | % | No. Of Shares | % |
| Teo Chiang Quan | 8,000 | 0.01 | *34,964,279 | 35.72 |
| Teo Chiang Khai | - | - | ** 34,984,279 | 35.74 |
| Teo Chiang Lim | - | - | *** 34,956,279 | 35.71 |

* By virtue of his equity interest in Paramount Malaysia, See Hoy Chan, Paramount Equities Sdn Bhd, Bunga Indah (M) Sdn Bhd, TSP and Qualipro Corporation Sdn Bhd.

** By virtue of his equity interest in Paramount Malaysia, See Hoy Chan, Paramount Equities Sdn Bhd, Bunga Indah (M) Sdn Bhd, TSP and Esteem Corporation Sdn Bhd.

*** By virtue of his equity interest in Paramount Malaysia, See Hoy Chan, Paramount Equities Sdn Bhd, Bunga Indah (M) Sdn Bhd, TSP and Formula Holdings Sdn Bhd.

Consequently, Teo Chiang Quan and Teo Chiang Khai have abstained from participation at PCB Board of Directors' deliberation on the Proposed Acquisition of KUSH and together with Teo Chiang Lim, will abstain from voting in respect of their direct and indirect shareholdings on the resolution of the said proposal at an EGM to be convened.

7.2 Proposed Acquisition of PAB

Saved as disclosed below, no other Directors and/or substantial shareholders of PCB are deemed interested in the Proposed Acquisition of PAB.

Mr Teo Chiang Quan, being a Director and substantial shareholder of PCB is deemed interested in the Proposed Acquisition of PAB by virtue of his direct and/or indirect interest in See Hoy Chan, Paramount Malaysia, The Nanyang Insurance and FSEC.

Mr Teo Soo Chew and Mr Teo Chiang Khai, being Directors and substantial shareholders of PCB are deemed interested in the Proposed Acquisition of PAB by virtue of them being Directors and their direct and/or indirect interest in See Hoy Chan, Paramount Malaysia and The Nanyang Insurance. They are also deemed interested in the Proposed Acquisition of PAB by virtue of their indirect interests in FSEC.

En Md Taib bin Abdul Hamid, being a Director and shareholder of PCB is deemed interested in the Proposed Acquisition of PAB by virtue of him being a Director and his 50.01% direct interest and 49.99% indirect interest in Thamass Sdn Bhd, a substantial shareholder of PAB.

Mr Teo Soo Weng and Mr Teo Soo Kiat, being substantial shareholders of PCB are deemed interested in the Proposed Acquisition of PAB by virtue of them being Directors and their direct and/or indirect interests in See Hoy Chan, Paramount Malaysia and The Nanyang Insurance. They are also deemed interested in the Proposed Acquisition of PAB by virtue of their indirect interests in FSEC.

Mr Teo Chiang Lim, being a substantial shareholder of PCB is deemed interested in the Proposed Acquisition of PAB by virtue of him being a Director and his indirect interest in FSEC. He is also deemed interested in the Proposed Acquisition of PAB by virtue of his direct and/or indirect interest in See Hoy Chan, The Nanyang Insurance and Paramount Malaysia.

The direct and indirect shareholdings of Mr Teo Chiang Quan, Mr Teo Soo Chew, Mr Teo Chiang Khai, En Md. Taib bin Abdul Hamid, Mr Teo Soo Weng, Mr Teo Soo Kiat and Mr Teo Chiang Lim in PCB are as follows:

Shareholding

| Shareholders | < -----Direct ----- > | | < -----Indirect ----- > | |
|--------------------------|-----------------------|------|-------------------------|-------|
| | No. Of Shares | % | No. Of Shares | % |
| Teo Chiang Quan | 8,000 | 0.01 | *34,964,279 | 35.72 |
| Teo Soo Chew | - | - | ** 34,634,391 | 35.38 |
| Teo Chiang Khai | - | - | *** 34,984,279 | 35.74 |
| Md. Taib bin Abdul Hamid | 10,000 | 0.01 | - | - |
| Teo Chiang Lim | - | - | # 34,956,279 | 35.71 |
| Teo Soo Weng | - | - | ** 34,634,391 | 35.38 |
| Teo Soo Kiat | - | - | ** 34,634,391 | 35.38 |

* By virtue of his equity interest in Paramount Malaysia, See Hoy Chan, Paramount Equities Sdn Bhd, Bunga Indah (M) Sdn Bhd, TSP and Qualipro Corporation Sdn Bhd.

** By virtue of their equity interest in Paramount Malaysia, See Hoy Chan, Paramount Equities Sdn Bhd and Bunga Indah (M) Sdn Bhd, TSP.

*** By virtue of his equity interest in Paramount Malaysia, See Hoy Chan, Paramount Equities Sdn Bhd, Bunga Indah (M) Sdn Bhd, TSP and Esteem Corporation Sdn Bhd.

By virtue of his equity interest in Paramount Malaysia, See Hoy Chan, Paramount Equities Sdn Bhd, Bunga Indah (M) Sdn Bhd, TSP and Formula Holdings Sdn Bhd.

Consequently, Mr Teo Chiang Quan, Mr Teo Soo Chew, Mr Teo Chiang Khai and En Md Taib bin Abdul Hamid have abstained from participation at the PCB Board of Directors' deliberation on the Proposed Acquisition of PAB and together with Mr Teo Soo Wing, Mr Teo Soo Kiat and Mr Teo Chiang Lim will abstain from voting in respect of their direct and indirect shareholdings on the resolution of the said proposal at an EGM to be convened.

8. INDEPENDENT ADVICE

Aseambankers was not involved in any negotiation nor formulation of the Proposals. In assessing the Proposals, we have relied on information compiled from the EGM Circular prepared by AMMB, discussions with management of PCB and other relevant information provided by PCB as well as other publicly available information. Aseambankers has obtained confirmation that all material facts and information have been disclosed to us and that there are no other facts, the omission of which would make any information supplied to us misleading.

9. EVALUATION OF THE PROPOSALS

Aseambankers, as Independent Adviser has taken cognizance of those issues which we consider are of relevance to the minority shareholders of PCB in relation to the Proposals. The issues considered are as follows:

9.1 The Proposed Acquisition of KUSH

9.1.1 The Purchase Consideration

(a) NTA

Based on the audited accounts for the financial year ended 31 December 1996 of KUSH, the consolidated group NTA is RM5.673 million. The consolidated NTA for the financial year ended 31 December 1996 of KUSH was arrived at after taking into consideration the revaluation surplus arising from the valuation of the KUSH property of RM1.629 million. The purchase consideration of RM9,900,000 for the 750,000 ordinary shares representing 74.99% of the equity of KUSH as compared to 74.99% of the audited consolidated group NTA of KUSH as at 31 December 1996 amounting to RM4.255 million therefore give rise to a premium of RM5.645 million.

The purchase consideration took into account the profit guarantee to be provided by the vendors of KUSH. The profit guarantee is attributable to the forecasts and projections of KUSH's profit after taxation for the financial years ending 31 December 1997 to 1999. The guarantee will only be for 74.99% of the forecast and projected profits after taxation based on the 74.99% equity interest to be acquired by PCB.

The use of the NTA value is however, a conservative measure of the value of KUSH as it merely considers the value of KUSH based on the NTA attributable to the company as at 31 December 1996 without recognising the future earnings potential and prospects of the company. We are of the opinion that the purchase consideration is fair and reasonable taking into consideration that it is backed by the consolidated NTA of the KUSH as at 31 December 1996 and the future earnings potential of the company covered by the profit guarantee as provided by the vendors of KUSH totalling RM5,361,055.10 for the next three (3) financial years ending 31 December 1999.

(b) PE Multiple

Based on the weighted maintainable earnings of KUSH for the financial years ended/ending 31 December 1994 to 1999 of RM1,586,000, the purchase consideration of RM9,900,000 for the 74.99% equity interest in KUSH would accord a net PE Multiple of 8.3 times. Based on the forecast earnings of KUSH for the financial year ending 31 December 1997, the purchase consideration of RM9,900,000 for the 74.99% equity interest in KUSH would accord a net PE Multiple of 7.48 times. This is within the range of the net forecast and the respective opening price PE multiples accorded to companies in their valuation and pricing of its issue/offer price per share in connection with their listing on the Second Board of the KLSE in the information technology ("IT") and computer related industry which mainly ranges from approximately 7 times to 8.2 times and from 17.1 times to 22 times respectively. As such we are of the opinion that this is fair and reasonable after due consideration were given to the earnings potential of the company, its wide corporate customer base and the potential of the IT industry. The net forecast and opening price PE Multiples for the respective companies are as follow:

| Company | Date of Prospectus | Gross Forecast PE Multiple (times) | Net Forecast PE Multiple (times) | Opening Price PE Multiple (times) |
|--------------------------------------|--------------------|------------------------------------|----------------------------------|-----------------------------------|
| Computer Systems Advisers (M) Berhad | 29 March 1997 | 4.9 | 7.0 | 22.0 |
| MCSB Systems (M) Berhad | 5 May 1993 | 4.8 | 7.2 | 17.8 |
| Dataprep Holdings Bhd | 30 September 1991 | 5.8 | 7.2 | 17.1 |
| Lityan Holdings Berhad | 31 December 1993 | 5.8 | 8.2 | 21.6 |

(Source : As extracted from the respective Prospectuses of the said companies)

9.1.2 Future Prospect of KUSH vis-a-vis the Prospects of the Information Technology and Computer Industry

The IT industry is expected to be a major industry in this decade. The IT industry is making a strong impact on the industrialisation program of Malaysia as it is of great importance to the economy and is expected to be one of the largest industries in the country by the year 2000. This optimistic outlook is based on the significant increase in the export of office-based data processing machines, parts and accessories over the past three (3) years. The IT industry recorded an average annual growth of 67% from RM1.6 billion in 1990 to RM12.3 billion in 1994.

(Source: Bank Negara Malaysia, Annual Report 1995)

The Malaysian Government's efforts to develop and to spearhead Malaysia into the IT age will place additional demands on the IT industry to keep up with the push towards IT based industrialisation. The evolution of information technology provides greater incentives for the country to move towards an efficient and effective framework for information and data transfer. The increasing use of computers in all sectors of the economy highlights its value as a powerful tool to provide the cutting edge for various industries, with it, the added competitive advantage over those who are complacent with the changing business environment and information transfer.

As such, the Government has recognised the importance of IT and is itself an active promoter of IT. The proposed Multimedia Super Corridor ("MSC"), a high-speed fibre optic communications network linking the Kuala Lumpur City Centre, the new government administrative centre in Putrajaya and the Kuala Lumpur International Airport in Sepang over a 40km by 15 km area will significantly boost the use of IT.

(Source: Bank Negara Malaysia Annual Report 1996)

This is coupled with the increasing number of businesses demanding IT that provides solutions to business needs. This requires a combination of hardware and software systems to satisfy the needs of these customers.

The KUSH Group are currently authorised distributors and dealers of Hewlett-Packard PC products, IBM PC products and other leading IT brand products. The subsidiary companies of KUSH have more than 480 dealers placed throughout Malaysia to service business demands for IT and the computer related products. Based on the prospects of the IT industry as illustrated above, the Proposed Acquisition of KUSH will enable PCB's participation in the fast growing and booming IT industry.

9.2 The Proposed Acquisition of PAB

9.2.1 The Purchase Consideration

The purchase consideration for the proposed acquisition of an additional 2,804,000 ordinary shares of RM1.00 each representing 34.36% of the equity interest in PAB for RM5,523,416.70 or RM1.97 per PAB share is arrived at after taking into consideration of the adjusted NTA of PAB as at 31 December 1995.

Based on the last audited accounts for the financial year ended 31 December 1995, the NTA of PAB was RM13,192,942. The adjustments were made in relation to investments and taxation of PAB. Based on the above, the adjusted NTA of PAB is RM16,073,840 or RM1.97 per share. The proposed acquisition of 2,804,000 ordinary shares of RM1.00 each would therefore give rise to the purchase consideration of RM5,523,412.70 based on the adjusted NTA per share of RM1.97. As such, the purchase consideration is fully backed by the adjusted NTA of PAB. A copy of the letter from Messrs Price Waterhouse on the adjustments made to the NTA of PAB as at 31 December 1995 is set out in Appendix V.

9.2.2 Future Prospects of PAB vis-a-vis the Insurance Industry

1995 was another year of strong and rapid growth for the insurance industry in terms of premium income and consolidation on all fronts for the insurance industry. The general insurance sector recorded strong growth, reflecting the momentum of economic activities in the country with total written premiums for the general insurance sector growing by 17.8% to RM4.6 billion as at the end of 1995.

The strong growth in the insurance industry reflects the momentum of economic activities prevailing in the current economy growth of Malaysia. The growth of the Malaysian insurance industry is high in view of the continued growth in disposable income of the Malaysian population and the strong future prospect of the Malaysian economy. For the six (6) months ending June 1996, the general insurance sector grew by 18.2% with total written premiums increasing to RM2.55 billion for the period as compared to 14.0% during the corresponding period.

With the tremendous pace of investment in the manufacturing as well as rapid growth in the number of offices, houses and vehicles being bought, the general insurance industry is expected to continue to grow at a high rate in consonance with the general economy and the expected continued growth of the economy.

(Source: Economic Report 1996/1997, Ministry of Finance ; Dynaquest's Industrial Sector Analysis 1996)

Therefore, in view of the bright prospects of the insurance industry in Malaysia, the Proposed Acquisition of PAB would augur well for PCB as it further increases its participation in the insurance industry.

10. FURTHER INFORMATION

Shareholders are requested to refer to the Appendices for further information.

11. RECOMMENDATION

Aseambankers have in the foregoing sections, set out our evaluation of the abovesaid Proposals and minority shareholders of PCB are advised to consider the following factors before arriving at a decision:

(a) Rationale

- (i) The Proposed Acquisition of KUSH will enable the PCB Group to take advantage of the growing prospects of the IT industry and to further expand its core activities into the provision of products such as hardware configuration and services such as support and training, system integrators and solutions provider. In addition, the Proposed Acquisition of KUSH will broaden PCB's earnings base.

- (ii) PAB is a profitable going concern in a progressive and growing general insurance industry. The Proposed Acquisition of PAB will enhance the future profitability of the PCB Group. In addition, the deemed Bumiputera interest in PAB will be increased from 30.47% to 40.79% by virtue of the increase of PCB's equity in PAB.

(b) Purchase Consideration

- (i) The purchase consideration for KUSH is reasonable after taking into account the financial and operating history of the KUSH Group, its prospects, its management team and the valuation of the property owned by KUSH. The purchase consideration is further enhanced with the provision of a profit guarantee to PCB by the vendors totalling RM5,361,055.10 for the next three (3) financial years ending 31 December 1999 in respect of the 74.99% equity interest to be acquired by PCB; and
- (ii) The purchase consideration for PAB is reasonable after taking into account the adjusted NTA of PAB.

(c) Financial Effects

The Proposals are expected to contribute positively to the future earnings of the PCB Group given that the IT industry is expected to continue to register strong growth over the next five (5) years as a result of the continuing promotion by the government of the Multimedia Super Corridor ("MSC") and the overall IT industry. The insurance industry will continue to register rapid growth in tandem with the growth of the economy. Hence, it is anticipated that the Proposals will have a positive contribution to the future earnings of the Group.

On the basis of our evaluation and having considered the terms of the Proposals, WE ARE OF THE OPINION THAT THE PROPOSALS ARE IN THE LONG-TERM INTEREST OF THE COMPANY AND ACCORDINGLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE RESOLUTIONS PERTAINING THERETO.

The advice of Aseambankers as contained in this Independent Advise Circular is addressed to the minority shareholders of PCB at large and not to any particular shareholder individually. Accordingly, in providing this advise, we have not given regard to the specific investment objectives of any individual shareholder or any specific group of shareholders.

Yours faithfully
for and on behalf of

ASEAM BANKERS MALAYSIA BERHAD

YONG LEE MEI
Senior Manager
Corporate Finance

DATO' MOHAMMED HUSSEIN
Managing Director

ALL THE INFORMATION IN THIS APPENDIX IS EXTRACTED FROM THE EGM CIRCULAR

INFORMATION ON KUSH

1. HISTORY AND BUSINESS

KUSH was incorporated in Malaysia under the Companies Act, 1965 on 11 May 1993 as a private limited company. KUSH is an investment holding company with three (3) subsidiaries engaged in marketing, distribution and maintenance of computer products and software. KUSH has an associated company which is presently dormant.

2. SHARE CAPITAL

The present authorised share capital of KUSH is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The present issued and paid-up share capital of KUSH is RM1,000,002 comprising 1,000,002 ordinary shares of RM1.00 each.

There are no movements in the authorised share capital of KUSH since the date of incorporation. The changes in the Company's issued and paid-up share capital since the date of incorporation to the date of this Circular are as follows:-

| Date of allotment | No. of ordinary shares allotted | Par value (RM) | Consideration | Total Issued and paid-up share capital (RM) |
|-------------------|---------------------------------|----------------|------------------|---------------------------------------------|
| 11.5.1993 | 2 | 1.00 | Cash | 2 |
| 1.7.1993 | 1,000,000 | 1.00 | Other than cash* | 1,000,002 |

* Represents shares issued pursuant to acquisition of the entire paid-up capital of KUS comprising 400,000 ordinary shares of RM1.00 each for a consideration of RM1,000,000

3. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of KUSH (with a shareholding of 5% and above) as at the date of this Circular are as follows:-

| Shareholders | No. of ordinary shares held | | |
|-----------------|-----------------------------|-----------|-------|
| | Direct | Indirect | % |
| Sengin | 500,002 | - | 50.01 |
| TSP | 500,000 | - | 49.99 |
| Foo Sen Chin | | 500,002* | 50.01 |
| Lee Marn Fong | | 500,002# | 50.01 |
| Teo Chiang Quan | | 500,000** | 49.99 |
| Teo Chiang Lim | | 500,000** | 49.99 |
| Teo Chiang Khai | | 500,000** | 49.99 |

* By virtue of his substantial equity interest in Sengin

By virtue of her substantial equity interest in Sengin

** By virtue of his substantial equity interest in TSP

4. DIRECTORS' AND THEIR SHAREHOLDINGS

According to the Register of Directors as at the date of this Circular, the particulars of the Directors of KUSH and their shareholdings are as follows:-

| | Address | Occupation | Nationality | No. of ordinary shares held | | |
|-----------------|--------------------------------------------------------------------------------------|------------------|-------------|-----------------------------|-----------------|-------|
| | | | | Direct ('000) | Indirect ('000) | % |
| Teo Chiang Quan | 2 Lorong SS 22/27A 47400 Petaling Jaya Selangor Darul Ehsan | Company Director | Malaysian | 500,000* | | 49.99 |
| Foo Sen Chin | 12 Jalan SS 21/48A Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan | Company Director | Malaysian | | 500,002** | 50.01 |

* By virtue of his substantial shareholding in TSP

** By virtue of his substantial shareholding in Sengin

5.1 SUBSIDIARIES AND ASSOCIATED COMPANY

KUSH has three (3) subsidiary companies and one (1) associated company as listed below:-

| Name of companies | Date/Place of incorporation | Interest (%) | Paid-up capital (RM) |
|-------------------|-----------------------------|--------------|----------------------|
| KUS | 12 July 1984/Malaysia | 100.0 | 400,000 |
| Pericomp | 30 May 1986/Malaysia | 80.0 | 100,000 |
| Astar | 11 May 1993/Malaysia | 100.0 | 100,000 |
| Antara | 14 July 1995/Malaysia | 40.0 | 10,002 |

The principal activities of KUSH's three subsidiaries are as mentioned in section 2.2.

6. PROFIT AND DIVIDEND RECORD

The profit and dividend record of KUSH Group based on the audited accounts for the period commencing 11 May 1993 (date of incorporation) to 31 December 1996 are as follows:-

| | Audited | | | |
|----------------------------------------------------|----------------------------------------|----------------|----------------|----------------|
| | From 11.5.1993 to 31.12.1993 RM'000 | 1994 RM'000 | 1995 RM'000 | 1996 RM'000 |
| Turnover | 36,543 | 51,276 | 64,297 | *90,594 |
| Profit before taxation | 399 | 1,095 | 1,326 | *2,099 |
| Taxation | (170) | (423) | (434) | (756) |
| Profit after taxation ("PAT") | 229 | 672 | 892 | 1,343 |
| Minority Interest ("MI") | (11) | (96) | (70) | (116) |
| PAT after MI | 218 | 576 | 822 | 1,227 |
| Extraordinary items | - | - | - | - |
| Profit after taxation attributable to shareholders | 218 | 576 | 822 | 1,227 |
| No. of shares in issue ('000) | 1,000 | 1,000 | 1,000 | 1,000 |
| Net EPS (RM) | 0.22 | 0.58 | 0.82 | 1.23 |
| Gross dividend per share (%) | - | 4.00 | 5.00 | 5.00 |

*The increase in turnover is due to additional product lines and a wider coverage of corporate customers and dealers throughout Malaysia. Profit before taxation increased in tandem with the increase in turnover.

6.1. EXTRACT OF THE AUDITED ACCOUNTS OF KUSH GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 1996

Please refer to Appendix I (6.1) of the EGM Circular.

6.2 EXTRACT OF THE REPORT OF THE AUDITORS ON THE ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 1996

Please refer to Appendix I (6.2) of the EGM Circular.

ALL THE INFORMATION IN THIS APPENDIX IS EXTRACTED FROM THE EGM CIRCULAR

INFORMATION ON PAB

1. HISTORY AND BUSINESS

The company commenced its operation in 1958 when it was known as the Kuala Lumpur branch office of The Nanyang Insurance Company Limited, a general insurance business incorporated in Singapore ("The Malaysian Operation"). On 4 November 1976, The Malaysian Operation was localised and Nanyang Insurance Company (Malaysia) Sdn Bhd was incorporated. The company officially changed its name to Paramount Assurance Berhad on 21 July 1993. On 7 May 1997, the company was converted into a public limited company and assumed the name of Paramount Assurance Berhad. PAB's principal activity is primarily of underwriting general insurance business.

Presently, PAB has its Head Office in Kuala Lumpur and 10 branches located in Penang, Sibul, Kota Kinabalu, Bintulu, Ipoh, Johor Bahru, Miri, Kuching, Tawau and Alor Setar. The company currently has 261 agents.

2. SHARE CAPITAL

The present authorised share capital of PAB is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each. The present issued and paid-up share capital of PAB is RM8,160,000 comprising 8,160,000 ordinary shares of RM1.00 each.

3. MOVEMENTS IN AUTHORISED SHARE CAPITAL

There are no movements in the authorised share capital of PAB since the date of incorporation. Changes in the Company's issued and paid-up capital since date of incorporation to the date of this Circular are as follows:-

| Date of allotment | No. of ordinary shares allotted | Par value (RM) | Consideration | Total issued and paid-up share capital RM |
|-------------------|---------------------------------|----------------|--------------------|-------------------------------------------|
| 4.11.1976 | 2 | 1.00 | Cash | 2 |
| 3.1.1977 | 10,000 | 1.00 | Cash | 10,002 |
| 4.1.1977 | 999,998 | 1.00 | Cash | 1,010,000 |
| 10.8.1981 | 1,540,000 | 1.00 | Cash | 2,550,000 |
| 20.7.1983 | 2,550,000 | 1 | Bonus Issue of 1:1 | 5,100,000 |
| 11.5.1993 | 3,060,000 | 1 | Cash | 8,160,000 |

4. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of PAB (with a shareholding of 5% and above) as at the date of this Circular are as follows:-

| Shareholders | No. of ordinary shares held | | % |
|--------------|-----------------------------|----------|---|
| | Direct | Indirect | |

| | | | |
|-----------------------|-----------|---|-------|
| PCB | 4,108,000 | - | 50.34 |
| The Nanyang Insurance | 2,240,000 | - | 27.45 |
| Thamass Sdn Bhd | 1,248,000 | - | 15.30 |

5. DIRECTORS' AND THEIR SHAREHOLDINGS

According to the Register of Directors as at the date of this Circular, the particulars of the Directors of PAB and their shareholdings are as follows:-

| | Address | Occupation | Nationality | No. of ordinary shares held | | |
|-----------------------------|---------------------------------------------------------------------------------|---------------------|-------------|-------------------------------|---------------------------------|-------|
| | | | | Direct (^{'000}) | Indirect (^{'000}) | (%) |
| Teo Chiang Quan | 2 Lorong SS 22/27A 47400 Petaling Jaya Selangor Darul Ehsan | Company Director | Malaysian | - | 6,912,000* | 84.71 |
| Teo Chiang Khai | 24 Lorong SS 22/27A 47400 Petaling Jaya Selangor Darul Ehsan | Company Director | Malaysian | - | 6,912,000* | 84.71 |
| Md. Taib bin Abdul Hamid | 6 Lorong 14/37D 46100 Petaling Jaya Selangor Darul Ehsan | Company Director | Malaysian | - | 1,248,000** | 15.30 |
| Wong Shu Yoon | 75 Jalan SS 18/4F Subang Jaya 47400 Petaling Jaya Selangor Darul Ehsan | Company Director | Malaysian | - | - | - |
| Dzulkifli Mohd. Salleh | 32 Jalan Cawan 6/15 46000 Petaling Jaya Selangor Darul Ehsan | Company Director | Malaysian | - | - | - |

* By virtue of their equity interest in PCB, The Nanyang Insurance, Paramount Malaysia, See Hoy Chan and FSEC.

** By virtue of his equity interest in Thamass Sdn Bhd

6. SUBSIDIARIES AND ASSOCIATED COMPANY

PAB has no subsidiary or associated company.

7. PROFIT AND DIVIDEND RECORD

The profit and dividend record of PAB based on the audited accounts for the past five (5) financial years ended 31 December 1996 are as follows:-

| | Audited | | | | |
|----------------------------------------------------|---------|--------|--------|--------|----------|
| | 1992 | 1993 | 1994 | 1995 | 1996 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Turnover | 16,693 | 17,721 | 22,208 | 24,631 | **25,970 |
| Profit before taxation | 1,513 | 1,666 | #3,276 | 2,527 | #5,012 |
| Taxation | (703) | (720) | (860) | (526) | (1,945) |
| Profit after taxation | 810 | 946 | 2,416 | 2,001 | 3,067 |
| Extraordinary items | - | - | - | - | - |
| Profit after taxation attributable to shareholders | 810 | 946 | 2,416 | 2,001 | 3,067 |
| No. of shares in issue ('000) | 5,100 | *7,020 | 8,160 | 8,160 | 8,160 |
| Net EPS (RM) | 0.16 | 0.13 | 0.3 | 0.25 | 0.38 |
| Gross dividend per share (%) | 5.00 | 5.00 | 7.50 | 7.50 | 7.50 |

* Weighted average number of shares in issue.

*** Increase in turnover in 1996 was attributed to higher premium earned in line with higher volume of direct business

Increase in profit before tax in 1994 and 1996 were attributed to improved underwriting results and higher investment income

@ Represents premium tax recovery received from overseas treaty reinsurers.

7.1 EXTRACT OF THE AUDITED ACCOUNTS OF PAB FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 1996

Please refer to Appendix II (6.1) of the EGM Circular.

7.2 EXTRACT OF THE REPORT OF THE AUDITORS ON THE ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 1996

Please refer to Appendix II (6.2) of the EGM Circular.

APPENDIX III

VALUER'S LETTER ON KUSH'S PROPERTY

(As extracted from the EGM Circular)

CH Williams Talhar & Wong Sdn Bhd
15th Floor, Menara MPPJ
New Town Centre
46200 Petaling Jaya
Selangor

12 May 1997

The Board of Directors
Paramount Corporation Berhad
39th Floor, Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur

Dear Sirs

REPORT AND VALUATION OF KUSH'S PROPERTY

This letter has been prepared for inclusion in the Circular of Paramount Corporation Berhad to be dated 16 May 1997.

We have inspected and revalued the property on 15 October 1996 (Ref. No PJ/476/95/430/96/NR) as mentioned below and we are of the opinion that the open market value of the properties are as follows:-

| Date of valuation | Property | Method of valuation | Value |
|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------|
| 15 October 1996 | Developer's parcel Nos C19-01 to C19-05 and C20-01 to C20-05, Block C, Glomac Business Centre, Jalan SS6/1, Kelana Jaya, Petaling Jaya, Selangor on part of land held under Lot PT4066, title no HS(D) 78437, Mukim of Damansara, District of Petaling, Selangor | Comparison Method | RM4,100,000 |

Full details of our valuation are shown in our Valuation Report dated 16 October 1995 under the reference no. PJ/476/95/NR.

Yours faithfully
C H Williams Talhar & Wong Sdn Bhd

P'NG SOO TENG
B.Sc, FRICS, MISM, IRRV
Registered Valuer

APPENDIX IV

LETTER IN RELATION TO THE COMPUTATION OF THE MAINTAINABLE PROFITS FOR KUSH

(Prepared for inclusion in this Circular)

Arthur Anderson & Co.
Level 1 -Block C (South)
Pusat Bandar Damansara
50490 Kuala Lumpur

12 May 1997

The Board of Directors
Paramount Corporation Berhad
39th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

Dear Sirs,

COMPUTATION OF THE MAINTAINABLE PROFITS FOR K.U. SISTEM HOLDINGS SDN BHD ("KUSH" or "the Company")

We have reviewed the calculations for the annual maintainable profits of KUSH, for which the Directors are solely responsible, set out in the accompanying statements which we have stamped for the purpose of identification, in connection with the proposed acquisition of 74.99% equity interest in KUSH by Paramount Corporation Berhad.

We would emphasize that the annual maintainable profits computed should not be regarded as a definitive amount because of the inherent subjectivity underlying the calculations. It should be appreciated that there can be no standard formula to establish a definitive annual maintainable profits although certain formula are useful in establishing areas of reasonableness.

Subject to the foregoing, in our opinion, the annual maintainable profits, so far as the calculations are concerned, has been properly computed on the basis of the assumptions made by the Directors as set out in the accompanying statement.

Yours faithfully,

Arthur Anderson & Co
No. AF 0103
Public Accountants

Habibah Abdul
No. 1210/5/98(J)
Partner of the Firm

Based on the bases and assumptions as set out below, the Directors of KUSH have computed the maintainable profits of the Company as set out below:

| Year ended / ending December 31 | Profit after taxation and minority interest RM'000 | Weighting factor | Weighted total RM'000 |
|------------------------------------|----------------------------------------------------------|------------------|--------------------------|
| 1994 | 576 | 1 | 576 |
| 1995 | 822 | 2 | 1,644 |
| 1996 | 1,227 | 3 | 3,681 |
| 1997 | 1,764 | 3 | 5,292 |
| 1998 | 2,352 | 2 | 4,704 |
| 1999 | 3,136 | 1 | 3,136 |
| | | 12 | 19,033 |

Weighted Annual Maintainable Profits RM1,586,000

The principal bases and assumptions upon which the maintainable profits have been computed are as follows:

1. There will be no significant changes to the prevailing economic conditions in Malaysia and elsewhere which will adversely affect the activities or performance of the Group.
2. There will be no significant changes in the present legislation and Government regulations affecting the activities of the Group or the market in which it operates.
3. There will be no major industrial disputes, disruption in supplies of stocks or other abnormal factors, which will adversely affect the operations of the Group.
4. There will be no material increases in wages, costs of stocks and other incidental costs.
5. There will be no significant fluctuations in foreign currency exchange rates.
6. Existing financial facilities will remain available with no significant changes in their interest rates.
7. There will be no significant changes in the management and accounting policies from those presently adopted by the Group.
8. There will be no significant changes in the structure and present activities of the Group other than those taken into consideration in the forecast.
9. There will be no significant change in corporate tax rates, regulations or other levies from current levels.

APPENDIX V

LETTER IN RELATION TO THE ADJUSTED NTA OF PAB AS AT 31 DECEMBER 1995

| | | | |
|----------------|------------------|--------------------------------------------------------------------------------------------------------------|------|
| | | Price Waterhouse. 11th Floor, Wisma Sime Darby Jalan Raja Laut P.O Box. 10192 50706 Kuala Lumpur | |
| Weighted total | Weighting factor | RM'000 | 1995 |
| 276 | 1 | 276 | 1995 |
| 1,644 | 2 | 822 | 1997 |
| 1,681 | 3 | 1,227 | 1996 |
| 1,764 | 3 | 1,764 | 1997 |
| 2,322 | 5 | 2,322 | 1998 |
| 2,136 | 1 | 2,136 | 1999 |
| Dear Sirs, | | 12 | |

**COMPUTATION OF THE ADJUSTED NET TANGIBLE ASSETS ("NTA")
OF PARAMOUNT ASSURANCE BERHAD ("PAB")**

The computation of the adjusted NTA of PAB in connection with the proposed acquisition of additional 34.36% equity interest in PAB by Paramount Corporation Berhad ("PCB") on the basis as set out in the terms of reference dated 10 March 1997 is as follows:

RM'000

| | |
|-------------------------------------------------------------------|--------|
| Total NTA as shown in the audited accounts as at 31 December 1995 | 13,193 |
| Adjustments to quoted investments | 2,013 |
| Adjustments to unquoted investments | 468 |
| Adjustments to other accounts | 400 |
| Adjusted NTA as at 31 December 1995 | 16,074 |

Our report has been prepared solely for you in connection with the proposed acquisition of the additional 34.36% equity interest in PAB by PCB and should not be relied upon for any other purpose or by any other party.

Yours faithfully,

Price Waterhouse
No. AF 0052
Public Accountants

Chin Kwai Yoong
No. 890/4/98 (J/PH)
Partner of Firm

FURTHER INFORMATION

1. RESPONSIBILITY

This Independent Advice Circular has been seen and approved by the Directors of PCB and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no material facts the omission of which will make any statement herein misleading.

2. CONSENT

The written consents of Aseambankers, Messrs Price Waterhouse, Messrs Arthur Anderson & Co and Messrs Williams, Talhar & Cong Sdn Bhd to the inclusion in this Independent Advice Circular of their names in the form and context in which they appear have been given before the issue of this Circular and have not subsequently been withdrawn.

3. MATERIAL LITIGATION

Neither the PCB Group, KUSH Group and PAB are engaged in any material litigations either as plaintiff or defendant and the Directors of PCB, KUSH and PAB are not aware of any proceedings pending or threatened against the PCB Group, KUSH Group and PAB or of any facts likely to give rise to any proceedings which might materially affect the position or business of the PCB Group, KUSH Group and PAB.

4. MATERIAL CONTRACTS

PCB Group, KUSH Group and PAB have not entered into any material contracts, not being contracts entered into in the ordinary course of business, during the two (2) years preceding the date of this Circular except for the following:-

- (i) On 4 October 1996, PCB entered into a Sale and Purchase Agreement with Yeo Hock Lim and Tan Hwee Beng for the acquisition of the entire issued and paid-up share capital of Berlian Sakti Sdn Bhd comprising 750,000 ordinary shares of RM1.00 each for a total cash consideration of RM20,000,000;
- (ii) On 13 December 1996, PCB entered into a Sale and Purchase Agreement with Sengin and TSP for the acquisition of 74.99% equity interest in KUSH comprising 750,000 ordinary shares of RM1.00 each for a total cash consideration of RM9,900,000;
- (iii) On 2 January 1997, PCB entered into several Sale and Purchase Agreements with See Hoy Chan, The Nanyang Insurance, Paramount Malaysia and FSEC for the acquisition of 34.36% equity interest in PAB comprising 2,804,000 ordinary shares of RM1.00 each for a total cash consideration of RM5,523,412.70; and

- (iv) On 2 January 1997, Berkeley, a wholly owned subsidiary company of PCB, entered into a Sale and Purchase Agreement with See Hoy Chan Agencies Sendirian Berhad (Company No. 6756-X) for the disposal of 47.39% equity interest in FSEC comprising 490,000 ordinary shares of RM1.00 each for a total cash consideration of RM1,065,207.92.

5. SERVICE CONTRACTS

- (i) None of the Directors of PCB Group, KUSH Group and PAB have any existing or proposed service contracts with their respective companies, which is not determinable by notice without the payment of compensation except for the Service Agreement dated 25 February 1997 between Mr Foo Sen Chin and KUSH for the appointment of Mr Foo Sen Chin as the Managing Director of KUSH for the period commencing 1 January 1997 to 31 December 1999.
- (ii) No management agreements have been entered into or are proposed to be entered into by the PCB Group, KUSH Group and PAB.

6. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Registered Office of the Company at 39th Floor, Menara Maybank, 100, Jalan Tun Perak, 50050 Kuala Lumpur on any weekday (except public holidays) from the date hereof up to and including the date of the EGM:-

- (a) Memoranda and Articles of Association of PCB, KUSH and PAB;
- (b) Audited consolidated accounts of PCB for the past three (3) financial years ended 31 December 1996;
- (c) Audited consolidated accounts of KUSH for the past three (3) financial years ended 31 December 1996;
- (d) Audited accounts of PAB for the past three (3) financial years ended 31 December 1996;
- (e) Valuation report and letter from Messrs CH Williams, Talhar and Wong Sdn Bhd on the valuation of KUSH property;
- (f) Letters from Messrs Arthur Anderson & Co in relation to the computation of the maintainable profits for KUSH;
- (g) Letter from Messrs Price Waterhouse in relation to the adjusted NTA of PAB as at 31 December 1995;
- (h) Letters of consent referred to in (2) above; and
- (i) Material contracts referred to in (4) above.